



CONSUMER ADVOCATE DIVISION  
STATE OF WEST VIRGINIA  
PUBLIC SERVICE COMMISSION  
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May 2, 1996

VIA AIRBORNE EXPRESS

William F. Caton  
Acting Secretary  
Federal Communications Commission  
Washington, DC 20554

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Re: In the Matter of Federal-State Joint Board on Universal Service  
CC Docket No. 96-45

Dear Mr. Caton:

Enclosed for filing in the above-stated matter, please find the original and four (4) copies of the Reply Comments of the Consumer Advocate Division of the Public Service Commission of West Virginia. Copies have been served on the Federal-State Joint Board in accordance with the service list.

Respectfully submitted,

Terry D. Blackwood  
Counsel for Consumer Advocate

BJG/cs

Enclosures

cc: all parties

by [unclear] dated 024

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554** DOCKET FILE COPY ORIGINAL

In the Matter of ) CC Docket No. 96-45  
 )  
Federal-State Joint Board on )  
Universal Service )

To: The Federal-State Joint Board on Universal Service

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**REPLY COMMENTS OF THE WEST VIRGINIA  
CONSUMER ADVOCATE ON THE NOTICE OF  
PROPOSED RULEMAKING ON UNIVERSAL SERVICE ISSUES**

On March 9, 1996, the Federal Communications Commission ("FCC" or "Commission") issued a notice of proposed rulemaking ("NOPR") on universal service and established a Federal-State Joint Board ("Board") to consider the comments of interested parties concerning universal service. The Consumer Advocate Division of the Public Service Commission of West Virginia ("West Virginia Consumer Advocate" or "WVCAD") submitted comments in response to the questions posed and issues raised by the FCC on April 12, 1996. The WVCAD has reviewed the comments of many of the other parties to this proceeding and offers the following in reply.

**SUBSCRIBER LINE CHARGE**

On behalf of residential telephone consumers, the WVCAD is most concerned about the comments from many parties which advocate increasing the subscriber line charge ("SLC") in

order to support universal service.<sup>1</sup> The WVCAD has seldom viewed such a collection of self-interested irony, which in summary argues: "Let's increase rates to promote universal service." As the National Association of State Utility Consumer Advocates ("NASUCA") stated, "End-user charges amount to rate increases for customers who have no means of economizing to avoid the charge and minimize expenses."<sup>2</sup> An increased SLC charge is in direct counterpoint to a fundamental universal service principle that while not all consumers will be benefitted by the advent of competition, none should be made worse off.

End-user surcharges also countervenes the Telecommunications Act's clear requirement that universal service fund support be funded by telecommunications carriers. (emphasis added)

Section 254(d) of the Act states:

Every telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and sufficient mechanisms established by the commission to preserve and advance universal service.

The Act does not require, nor contemplate a fixed, non-avoidable monthly charge to end-users.

Those commenters which urge increased SLC charges also ignore the common sense presumption that increasing SLC rates and, therefore, local exchange rates, can only have a detrimental effect on universal service. Increased SLC charges would have a disproportional effect on low and marginal income consumers.<sup>3</sup> A 1986 study conducted by Chilton Research Services on behalf of the WVCAD reported that a monthly increase of \$5 (five dollars) would

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<sup>1</sup>GTE's Comments, pp. 16-17; Bell Atlantic's Comments, pp. 11-13; AT&T's Comments, pp. 14-16; Bell South's Comments, pp. 10-13; and, among others, Southwestern Bell's Comments, pp. 4-6.

<sup>2</sup>NASUCA Comments, p. 15; emphasis added

<sup>3</sup>See "Telephone Pricing Structures: The Effects on Universal Service," Journal of Regulatory Economics, 3, 1991, pp. 293-308.

force 4% (four percent) of the telephone subscribers in West Virginia to give up phone service.<sup>4</sup>

In its Comments, AT&T recommended that the SLC should be doubled to \$7.00 a month to recover the base factor portion of the interstate common line.<sup>5</sup> The Commission should be very aware that any increase in the federal SLC, such as AT&T's proposed \$3.50 increase, would likely be in addition to parallel intrastate non-traffic sensitive charges on end-users, using the FCC actions as a model. The cumulative effect of end-user charges on both the federal and state levels would increase non-avoidable costs to marginal income consumers who do not qualify for life-line benefits and inevitably cause many to drop off the telecommunications network.

In its Comments, AT&T states that an increased SLC surcharge . . . “should not be viewed as a rate increase for consumers” since reductions in toll access rates will be passed along to consumers.<sup>6</sup> AT&T, as well as many other commentators, ignores the fact that consumers can only experience a net benefit in a local/toll rebalanced environment if they make a sufficient number of lower-priced toll calls to offset increased fixed end-user charges. However, the aforementioned Chilton Research Services survey found that consumers who would give up phone service as a result of a price increase also had lower long distance charges and lower annual incomes.<sup>7</sup> In addition, a 1986 study showed that 74% (seventy-four percent) of Bell of Pennsylvania's

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<sup>4</sup>“Residential Customers' Attitudes Toward Telephone Services in West Virginia,” Chilton Research Services, October 28, 1986, p. 3, W.V. PSC Case Nos. 87-542-T-T and 87-876-T-T. A copy of the Study's Executive Summary is Attachment A.

<sup>5</sup>AT&T Comments, p. 16.

<sup>6</sup>Id., pp. 7-8.

<sup>7</sup>Supra., p. 4.

residential customers made no interLATA toll calls whatsoever.<sup>8</sup> It is reasonable to conclude that many consumers will be harmed from so-called rate rebalancing. Low volume toll callers will experience increased telephone costs even if toll rates are decreased.

The WVCAD also notes that there is no guarantee that lower NTS costs will result in lower toll charges. Experience has shown that competitive instinct alone is insufficient to assure a pass through of benefits. For example, in the recent proceeding of Re New England Telephone and Telegraph Co., dba NYNEX, Docket No. 5853, February 13, 1996, the Vermont Public Service Board “took the opportunity to note that recent reductions in charges for switched access for interexchange carriers, a primary reason for the current hike in local service rates, had not been passed on to long distance users.”<sup>9</sup>

No increase in the SLC should be allowed. However, if it is decided to unload implicit subsidies from the interstate access structure and increase the federal subscriber line charge, the WVCAD agrees with Citizens Utilities Company that “interexchange carriers should be mandated to flow through to their customers, on a dollar-for-dollar basis, the interstate access charge savings represented by the transitional movement of implicit subsidies out of the interstate access structure.”<sup>10</sup> To do otherwise would allow an inequitable windfall to toll carriers at the expense of end-user consumers.

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<sup>8</sup>Testimony of Jack Shreve on behalf of NASUCA to the House Energy and Commerce Telecommunications Subcommittee, U.S. House of Representatives, April 2, 1987, p. 2 of written testimony.

<sup>9</sup>PUR Utility Weekly, Letter No. 3248, p. 4, March 29, 1996.

<sup>10</sup>Citizens Comments, p. 9.

## DISCOUNTS FOR SCHOOLS AND LIBRARIES

In its initial comments the WVCAD described programs underway in West Virginia related to access to advanced telecommunications by schools, and suggested minimum services which should be provided as a part of the universal service system to be established by the Commission. After reviewing the comments of other parties on this subject, the WVCAD agrees with several commenters who argued that the Commission should not specify any particular technology as eligible for universal service support<sup>11</sup>, and that schools and libraries themselves should decide which services they most needed.<sup>12</sup> Both the proposal by ACE to establish a sliding scale of discounts based on the relative use of a particular service<sup>13</sup>, and the proposal by Bell South to establish flexible discounts<sup>14</sup> should be viewed favorably by the Commission. Both of these proposals would allow each school or library to use universal service support in a manner which fills their biggest individual needs and best fits their ability to utilize a particular service or technology. In this regard the WVCAD also supports the suggestion by ACE that non-recurring installation or facilities charges should be included as eligible for universal service discounts and funding.<sup>15</sup>

At the other end of the spectrum, the WVCAD opposes GTE's proposal to create a national "Teleschool Czar" who would dictate what services would be provided to schools throughout the

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<sup>11</sup>See, Comments of the Access to Communications for Education [ACE] Coalition, paragraph 9(a)(3).

<sup>12</sup>See, Comments of Citizens Telecom, page 18, and Comments of Bell South, pages 18 - 20.

<sup>13</sup>ACE, paragraph 7(a).

<sup>14</sup>Bell South, p. 19.

<sup>15</sup>ACE, paragraph 9(b)(1)(b).

country and at what prices.<sup>16</sup> Not only does such a proposal ignore the fact that different schools and libraries across the country have different needs and are at different stages of readiness to utilize particular services, it does violence to the federal approach to universal service embodied in the Act. It should be remembered that under Section 254(h)(1) of the Act, the Commission is to establish discounts and funding mechanisms related to interstate services, while states are to establish universal service mechanisms for intrastate services. In order to preserve flexibility for individual states and individual schools, the Commission should establish broad minimum standards for universal service support for schools and libraries, and then turn over universal service funds collected from interstate services to the various state universal service funds. Administration and use of these funds would then be up to the states. There should be no principles adopted which would inhibit a state from adopting a discount program for schools or libraries more favorable than required by the Commission's minimum standards.

Finally, the Commission should reject Bell South's suggestion that universal service discounts be funded through increased end user charges.<sup>17</sup> All universal service obligations should be imposed on telecommunications carriers on the basis of total revenues, and included as a cost of doing business by each carrier. The cost of discounts to schools and libraries should merely act as an offset to sums otherwise payable to the universal service fund by each carrier. No increased end user charges should be allowed.

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<sup>16</sup>GTE, pp. 20 -21.

<sup>17</sup>Bell South, page 22.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Terry D. Blackwood". The signature is fluid and cursive, with a long horizontal stroke at the beginning and a large loop at the end.

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EXECUTIVE SUMMARYEFFECT OF MONTHLY PRICE INCREASE ON BEHAVIOR

- o Universal telephone service, the ability of virtually everyone to be a part of the worldwide telecommunications system, is both a national and state goal. The Legislature of West Virginia has declared that preservation of universal telephone service is "...of the utmost importance to the state and its citizens." West Virginia Code, §24-2C-1. A major objective of this survey was to determine the impact of telephone rate increases on the universal service which has already been substantially achieved in West Virginia.
  
- o For a portion of the population of West Virginia, almost any increase in their monthly telephone bill would have an effect. At a monthly increase such as \$5, a total of 4% of those surveyed report that they would be forced to give up phone service. Universal service is seriously threatened at monthly increases of \$10 or more a month. If the cost of phone service were to increase this sharply, more than one-in-ten residents (12%) would be forced to give up telephone service. Approximately 20% of those surveyed would give up their phone if the monthly charge were to increase by amounts such as \$13, \$15, or \$17.

- o In terms of the effect of each succeeding price point, significant increases were seen between each of the following groups of prices:
  - o \$1
  - o \$3 and \$5;
  - o \$7;
  - o \$9 and \$11;
  - o \$13 and \$15;
  - o \$17, \$19, \$22 and \$25.
  
- o Continental customers are more vulnerable to rate increases than are customers of C&P and General. One reason is that Continental customers have lower household incomes than their counterparts.
  
- o Residents of West Virginia who are 60 years of age or older are more reluctant than younger adults to give up their phone service even though these older residents have low household incomes.
  
- o Those respondents who said that at some point they would give up their phone service were more likely to:
  - o Have lower annual incomes
  - o Give lower importance ratings to the various uses for having a home telephone
  - o Use the phone less frequently for those same reasons
  - o Have shorter average telephone conversations
  - o Use the phone less frequently than others, during the day, or week nights and on the weekends
  - o Have lower long distance charges

### Customer Satisfaction

- o Most West Virginians are satisfied with the service provided by their local telephone company. The complaints of those who were dissatisfied varied by local carrier. The predominant complaints of dissatisfied C&P customers were priced related. However, most dissatisfied General customers made negative comments regarding technical problems.
- o Few consumers expressed willingness to pay more for improved technical equipment (15%). General customers are somewhat more willing to accept the increased costs (28%). This is not surprising given the high level of complaints that these customers voiced regarding technical problems.

### Local Usage Options

- o Three quarters of the West Virginia residential telephone customers surveyed are not aware of which local usage plan they have.
- o Upon being read descriptions of local usage plans, residents had the highest level of awareness of Unlimited Service. Fewer, although still more than half, were aware of Message or Measured Services.
- o Unlimited Service was considered the best local usage plan by seven out of ten consumers. One reason for this perception is that this plan best matches current usage. Social calls were the predominant use of the home telephone and six in ten residents indicate their average telephone call

### ENHANCED SERVICES

- o Touch-Tone Service was the special feature with the highest level of aided awareness among the residents surveyed (85%). Over half were aware of Call Waiting, Call Forwarding, and Three Way Calling. Speed Calling had the lowest level of awareness (46%)
- o Touch-Tone Service was the only special feature installed in a significant number of West Virginia homes (43%). The other features were installed in fewer than one-in-ten homes.
- o Individuals interested in those special features already have them. Interest in installing these features by those who do not currently have them is low. Fewer than 10% of those aware of the special features and who do not have them actually plan to do so within the next three months.

### Usage of Telephones

- o Emergency calls emerged as the most important reason for having a telephone. The second most important reason was for checking up on children or elderly and ill relatives. Long distance calls, work related calls, social calls, informational calls and shopping by phone were far less important reasons.
- o Off peak hours, (evenings and weekends) were the most frequent hours of telephone use. The weekend was the time that most participants reported using their home telephone frequently (52%), followed by weekdays evenings (46%). Fewer (37%) use their home telephone during weekdays (from 9 AM - 5 PM).

- o The frequency with which a phone is used had little bearing on the importance placed on having a home telephone for that reason. For example, while social calls were not rated highly on the importance scale, most residents report that their home telephone is used frequently for that purpose. Conversely, few residents report using their home phone often for emergency calls, yet this was the most important reason for having a home telephone.
- o Given that social calls were the predominant use of the home telephone, it is not surprising that six out of ten report that their average telephone call is over ten minutes. Income was not a determinant of the length of a person's average telephone call. Wealthier residents did not report longer telephone calls than others, nor did poorer respondents report shorter calls.

#### Telephone Demographics

- o Nine out of ten West Virginia residential telephone customers have a private line. Continental customers, rural customers and those 60 years of age and older were more likely than others to have a party line.
- o Most customers surveyed have only one or two telephone sets. Only one-fifth had more than two. Higher income residents were more likely than others to have more than two telephones.

- o Owning a telephone was more prevalent than leasing one. A higher proportion of Continental customers owned their phone than did other customers.
- o Virtually all of those surveyed had one telephone line or number in their home (96%).
- o Nearly half of the residents spent between \$25 and \$45 on their last monthly phone bill (45%). However, nearly as many residents spent at least \$45 (41%).

#### Individual Demographics

- o Two-thirds of the customers were from urban areas. While C&P customers were predominantly from urban areas, Continental customers were mainly from rural areas and General had similar coverage in both areas.
- o Virtually all of those surveyed were white.
- o Three-quarters of the sample was under 60 years of age. There were no differences in age distribution by carrier.
- o Seven out of ten survey participants were married.
- o One-third of the sample have annual incomes of under \$15,000 with an additional quarter falling between \$15,000 and \$25,000. Continental customers, older customers and those who indicated that they would give up their phone service had lower incomes than their counterparts.

- o One quarter of those surveyed never graduated from high school and only two in ten actually graduated from college.
- o Half of the sample were individuals who live in households of three or more people. The older residents were more apt to live alone as were those from the lower income categories